



The Campaign for Responsible Development

A project of FRESC, the Front Range Economic Strategy Center

The Opportunity for Affordable Housing at the Cherokee-Gates Redevelopment Project

March 2005

An issue brief from the Campaign for Responsible Development (CRD)
See www.fresc.org for a full list of CRD Partners

BACKGROUND

Development is not creating enough economic opportunity for Denver's working families. Our tax dollars are invested in private development projects, but taxpayers have too little information or input in how these funds are spent. Working families need information and a voice in how tax dollars are used to redevelop their communities. To meet this need, a diverse coalition of unions and community organizations has formed the *Campaign for Responsible Development* (CRD). The CRD believes that redevelopment builds greater economic opportunity and stronger local communities when it creates jobs that support families through good wages and health care, more affordable housing, and safe and environmentally sound neighborhoods.

At the Cherokee-Gates project, the developer is seeking substantial tax-funded subsidies. To maximize the economic opportunities created from this project, the CRD has proposed a contractually enforceable "community benefits agreement." This proposed agreement would involve commitments in the areas of quality jobs; safe and sustainable, locally-based construction; and neighborhood safety, as well as accessible and affordable housing.

THE CRD'S INITIAL AFFORDABLE HOUSING PROPOSAL FOR THE CHEROKEE-GATES PROJECT IS:

- + 10% of rental units be affordable to families earning less than 45% of AMI (currently \$29,025 for a family of 3)
- + 10% of rental units be affordable to families earning less than 30% of AMI (currently \$19,350 for a family of 3)
- + All affordable rental units and affordable for-sale units, such as any created to comply with Denver's Inclusionary Housing Ordinance (IHO), accept Section 8 Rental or Homeownership Vouchers
- + Establishment of a Renter's Assistance Revolving Loan Fund to help with first/last month's rent and security deposits for families earning up to 60% of AMI (currently \$38,700 for a family of 3)
- + Dispersion of affordable housing alongside market rate housing throughout the project

EVERYONE AGREES: DENVER DESPERATELY NEEDS MORE AFFORDABLE HOUSING

In a recent survey, 79% of Denver residents rated access to affordable housing as fair or poor.¹

140 Sheridan Boulevard, Denver, CO 80226
Phone: 303.477.6111 Fax: 303.477.6123
www.fresc.org

80,800 people in Denver, 34% of all households, either struggle with housing costs or could use assistance in becoming homeowners.²

According to the Denver Commission to End Homelessness, Denver needs 2,493 additional affordable housing units to meet current needs.³ The Commission's draft 10 Year Plan also proposes greater availability of funds for security deposits and first month's rent to keep vulnerable families in housing.

The Denver Comprehensive Plan, The Denver Housing Plan, and Blueprint Denver all establish expansion of affordable housing as a priority, particularly at projects along transit corridors such as the Cherokee site.

EXISTING POLICIES DO NOT ADDRESS THE GREATEST NEED: RENTAL HOUSING FOR LOW-INCOME FAMILIES

Denver's IHO is mandatory only for the development of for-sale housing. The IHO does include voluntary incentives for development of rental housing, but most target "moderate income" families earning 60-80% of AMI (\$38,700 - \$51,600 for a family of 3), and most of the rental housing created under the IHO has been at this level.⁴

35,000 Denver renters have incomes less than 50% of the median income (\$32,250 for a family of 3) and pay more than 30% of their income for rent.⁵ According to broadly accepted U.S. Department of Housing and Urban Development (HUD) standards, families should not have to spend more than 30% of their income on housing.

A recent report commissioned by the Colorado Housing and Finance Authority (CHFA) found that although the overall rental market is soft in light of Denver's slow economic recovery, the market segments serving families at 40% to 50% of AMI are "underserved."⁶ Looking specifically at the downtown rental market, the CHFA study found that "vacancies are limited and waiting lists are long for these deep rent subsidy units."⁷

AFFORDABLE RENTAL HOUSING IS CRITICAL TO NEIGHBORHOODS SURROUNDING CHEROKEE

Cherokee is a signature project that will draw residents from across the region. But there is a particular need for low-income affordable housing in the neighborhoods immediately surrounding the project. As of 2000, 3,327 households in the census tracts immediately surrounding the Cherokee site, or 36% of all households, earned less than \$35,000 and paid more than 30% of their income for rent.⁸ Because this census data was collected during the height of the economic boom in Colorado, the current need is likely much greater, given recent increases in unemployment and poverty rates.

CHEROKEE IS SEEKING TAX INCREMENT FINANCING (TIF) AND OTHER SUBSIDIES. PUBLICLY INVESTED PROJECTS SHOULD HELP ADDRESS PUBLIC PRIORITIES, SUCH AS AFFORDABLE HOUSING

Housing Denver, a broad based coalition of nonprofit organizations, businesses and individuals that have come together to support the creation and preservation of housing affordable for low and moderate income families, argues in a recent publication that:

"[T]he additional public subsidy represented by TIF carries with it an additional responsibility to maximize the public benefit of a project."⁹

"Because large-scale redevelopment projects are, at heart, economic development projects—and affordable housing and economic development are inextricably linked—it seems logical to look to redevelopment areas for new opportunities to expand Denver's affordable housing options."¹⁰

ADDITIONAL FUNDS EXIST TO HELP REALIZE AFFORDABLE HOUSING GOALS AT CHEROKEE

Federal New Markets Tax Credits

The Baker neighborhood, in which the Cherokee development is located, has a poverty rate exceeding 20% (24.2% as of 2000). This opens the door to New Markets Tax Credits (NMTC), which provide tax incentives for investments in qualifying Community Development Entities that invest in qualified businesses or projects in the neighborhood.

State Enterprise Zone

The Cherokee Development is located within a state Enterprise Zone, making the project eligible for an array of tax incentives:

- + A 25% tax credit for cash contributions to agencies that assist in job creation/preservation, promote community development, or assist the homeless
- + A 12.5% tax credit for in-kind contributions, such as creation of a charitable land trust for affordable housing (also available outside Enterprise Zones)

State Transit-Oriented Development Bonds

A collaboration between the Colorado Housing and Finance Authority and participating cities, including Denver, will provide private activity bonds to support development of affordable housing within 1,500 feet of transit stations for projects with 50 or more units, at least 75% of which are for families below the area's median income. Participants will also be eligible for equity-creating low-income housing tax credits.¹¹

Other Potential Programs to Support Affordable Housing at Cherokee

Federal Low Income Housing Tax Credits – administered by CHFA

Community Development Block Grants (CDBG) - administered by City & County of Denver

Federal Grants, including a competitive Brownfield grant – administered by HUD

HOME Investment Partnership Program - administered by City & County of Denver

HOPWA/Ryan White funds for those with HIV or AIDS - administered by City & County of Denver

Affordable Housing Program - administered by the Federal Home Loan bank system

¹ National Citizen Survey, as reported in Crummy, Karen. "Denverites like city but not job outlook." *Denver Post*, January 5, 2005.

² Housing Denver. "A Place to Call Home: Expanding Housing Options in Urban Redevelopment Areas." Denver; Enterprise Foundation, 2004, p.5, based on data from the U.S. Department of Housing and Urban Development ("HUD").

³ This number is broken down into population subgroup estimates: single homeless individuals are in need of 1,881 units, couples with no children 97 units, and parents with children 496 units. Denver Commission to End Homelessness. Draft of "10 Year Plan."

⁴ Denver Office of Economic Development, Division of Housing & Neighborhood Development. "Providing Workforce Housing in Denver." Denver; 2004.

⁵ Based on data from HUD. Housing Denver. "Useful Facts about Denver and Housing."

⁶ James Coil Research & Consulting LLC. "An Analysis of the Downtown Denver, Colorado Rental Housing Market." Colorado Housing and Finance Authority, 2005, p.3.

⁷ *Ibid*, p. 5.

⁸ U.S Census Bureau. Gross Rent as a Percentage of Household Income in 1999, Census Tracts 13.02, 14.01, 14.03, 18, 19, 20, 21, 28.02, 29.01, 30.01, available at www.census.gov.

⁹ Housing Denver. "A Place to Call Home," p.18.

¹⁰ *Ibid*, p.6.

¹¹ Jeffrey Leib. "Initiative to boost affordable housing." *Denver Post*, December 9, 2004.